

**MINUTES OF THE
MARICOPA ASSOCIATION OF GOVERNMENTS
TRANSPORTATION POLICY COMMITTEE MEETING**

October 19, 2005
MAG Office, Saguaro Room
Phoenix, Arizona

MEMBERS ATTENDING

Mayor Elaine Scruggs, Glendale, Chair
* Councilmember Peggy Bilsten, Phoenix,
Vice Chair
Kirk Adams, The Adams Agency
F. Rockne Arnett, Citizens Transportation
Oversight Committee
* Mayor Ron Badowski, Wickenburg
Stephen Beard, SR Beard & Associates
Mayor Steven Berman, Gilbert
* Dave Berry, Swift Transportation
Jed S. Billings, FNF Construction
Mayor James Cavanaugh, Goodyear
Vice Mayor Pat Dennis, Peoria
Mayor Ron Drake, Avondale

Mayor Boyd Dunn, Chandler
+Rusty Gant, ADOT
* Mayor Hugh Hallman, Tempe
Mayor Keno Hawker, Mesa
Eneas Kane, DMB Associates
Mayor Mary Manross, Scottsdale
Jacob Moore, Salt River Pima-Maricopa Indian
Community
* David Scholl, Westcor
* Councilmember Daniel Schweiker,
Paradise Valley
Supervisor Max W. Wilson, Maricopa County
* Mayor J. Woodfin Thomas, Litchfield Park

* Not present
Participated by telephone conference call
+ Participated by videoconference call

1. **Call to Order**

The meeting of the Transportation Policy Committee (TPC) was called to order by Chair Elaine Scruggs at 4:17 p.m.

2. **Pledge of Allegiance**

The Pledge of Allegiance was recited.

Chair Scruggs announced that Roc Arnett was participating via telephone conference call and Rusty Gant was participating via videoconference call. Chair Scruggs stated that transit tickets for those who used transit to attend the meeting and parking garage ticket validation were available from MAG staff. Chair Scruggs noted that for agenda items #4B, #4C, and #6, a memorandum reflecting the recommendations taken at the October 12 Management Committee meeting was at each member's place. She noted that there was no meeting of the TPC Freeway Maintenance/Noise Mitigation Subcommittee as scheduled for October 17, therefore no action was taken on agenda item #4B by the subcommittee. She noted that there was a recommendation for approval from the Management Committee.

3. Call to the Audience

Chair Scruggs stated that an opportunity is provided to the public to address the Transportation Policy Committee on items that are not on the agenda that are within the jurisdiction of MAG, or non action agenda items that are on the agenda for discussion or information only. Citizens will be requested not to exceed a three minute time period for their comments. She noted that an opportunity is provided to comment on agenda items posted for action at the time the item is heard.

Chair Scruggs recognized public comment from William Crowley, who requested that the security detail leave the room while he was making his public comments. Mr. Crowley then addressed the Chair by first name and stated that this was payback. Chair Scruggs requested that Mr. Crowley please be courteous in addressing the Committee, in accordance with policies. He stated that he was being courteous, but it was abhorrent for the officer to be at the meeting to watch him. Chair Scruggs explained that council meetings in virtually every city have security and elected officials have the right to be protected at meetings. She said that Mr. Crowley should not feel that such safeguards were directed at him alone. Mr. Crowley then proceeded with his public comment. He commented that he heard that light rail will not go into Metrocenter Mall because it would be difficult for light rail to go across the freeway. Mr. Crowley pointed out that it will run to the Metrocenter park and ride lot located at 25th Avenue and Rose Mofford Sports Center. He said it is not being done in a seamless and correct manner. Mr. Crowley stated that in the transportation report are 6,914 bus stops, with covers for 557 parking spaces, a 469 percent increase. He questioned when the lease expires in 2011 if that means the park and ride will move to the light rail station. He said this is not being seamless when the lots are one-half mile apart. If the park and ride will be abandoned in 2011, why spend \$5 million on improvements? Mr. Crowley stated that the input is great on the safety program, but where are the bike lanes in the ALCP? He encouraged using paint as a weapon for bicyclists. Chair Scruggs thanked Mr. Crowley for his comments.

Chair Scruggs recognized public comment from George Davis, who expressed his appreciation to the TPC for providing him an opportunity to speak. He stated that when he moved here in 1959, Phoenix had a population of 200,000 to 250,000. Recent census figures say that more than 1.4 million people live in Phoenix, which is the fifth largest city in the US. Mr. Davis stated that with the devastation in the Gulf area and winters in the North, it can be certain that many more people will move here. He said that this will put a tremendous burden on the road and freeway systems. Mr. Davis said that his point is that if inflation, bonding, and interest rates are low, it is imperative that the TPC advises the County of the necessity to acquire right-of-way and plan now for a course of action to have roads in the developable areas of the County or we will continue to be behind the curve. Mr. Davis proposed to the TPC that a letter be written to the County expressing this concern and that the County investigate the feasibility of acquiring right-of-way in more rural and less developed areas of the County. Mr. Davis expressed his thanks for allowing him to present his proposal. Chair Scruggs thanked Mr. Davis for his comments.

4. Approval of Consent Agenda

Chair Scruggs stated agenda items #4A, #4B, and #4C were on the consent agenda. Public comment is provided for consent items. Each speaker is provided with a total of three minutes to comment on consent agenda. Chair Scruggs stated that any member of the committee can request that an item be

removed from the consent agenda and considered individually. Chair Scruggs asked members if there were any questions on the consent agenda items. No comments from the Committee were noted.

Chair Scruggs recognized public comment from Mr. Crowley, who commented on agenda item #4C. He said that the logo does not include a bike rack on the bus, nor does it show bicycle lanes or pedestrians. He said that he needed the TPC to be multimodal. Mr. Crowley noted that the unincorporated area of the County is a future development area and 65 percent of the County is west of Loop 303. He stated that the TIP is not broken down for bicycle and pedestrian projects, which makes it difficult to sift through all of the projects to find them. Mr. Crowley said to get the job done right. Chair Scruggs thanked Mr. Crowley for his comments.

With no further discussion on the consent agenda, Chair Scruggs called for a motion. Vice Mayor Dennis moved to approve consent agenda items #4A, #4B, and #4C. Mr. Beard seconded, and the motion passed unanimously.

4A. Approval of July 20, 2005 Meeting Minutes

The Transportation Policy Committee, by consent, approved the July 20, 2005 meeting minutes.

4B. Approval of the Proposed Phase 6 Rubberized Asphalt Project – Loop 202 from Van Buren Street to Alma School Road

The Transportation Policy Committee, by consent, recommended approval of the proposed Phase 6 Rubberized Asphalt project, 6.5 miles on the section of Loop 202 from Van Buren Street to Alma School Road for an estimated \$9.5 million. The Arizona Department of Transportation (ADOT) has requested that a portion of the rubberized asphalt program be considered in order to meet the Spring 2006 construction schedule. The proposed Phase 6 Rubberized Asphalt project is 6.5 miles on the section of Loop 202 from Van Buren Street to Alma School Road for estimated cost of \$9.5 million. This Phase 6 project is only a portion of the projects that will be funded with \$75 million programmed in the Regional Transportation Plan (RTP) for freeway noise mitigation. The Transportation Policy Committee (TPC) established the TPC Freeway Maintenance/Noise Mitigation Subcommittee to work with ADOT to make recommendations to the TPC and Regional Council on the phasing of the remaining freeway segments to receive rubberized asphalt. On October 12, 2005, the Management Committee recommended approval of this segment.

4C. Unified Regional Logo for Regional Transportation Plan Projects

The Transportation Policy Committee, by consent, recommended approval of the unified regional logo as presented, incorporating the main tagline “On the Move,” for use as part of a regional branding strategy for Regional Transportation Plan projects. On October 3, 2005, the Regional Transportation Plan (RTP) Partners, consisting of top level administrators for ADOT, MAG, Valley Metro and Valley Metro Rail, reached a consensus to move forward with a unified regional branding strategy, including the use of a regional logo featuring the main tagline “On the Move.” The purpose of the regional branding effort is to help communicate the progress of the Regional Transportation Plan to the public. The logo was voted as the most favored of three logos brought before members of the public. The logo could be used on construction signs and other printed materials to serve as a visual reminder to voters

that projects in the plan are being built as promised. On October 12, 2005, the Management Committee recommended approval.

5. FY 2006 Early Phase Input Opportunity Report

Jason Stephens stated that the Early Phase is one part of MAG's four-phase public involvement process. He said that input received from August through September on the 2007-2011 Transportation Improvement Program and update to the RTP and is summarized in the Early Phase Report. Mr. Stephens stated that during the Early Phase, MAG received public comment at its committee meetings, as well as at other events that were held in conjunction with ADOT, Valley Metro and Valley Metro Rail. Mr. Stephens displayed a list of comments received, including one that suggested that bathrooms and showers are needed at every mile along the transit system. Chair Scruggs thanked Mr. Stephens for his report and asked the Committee if there were any questions.

Supervisor Wilson commented that having a restroom every mile might require having personnel every mile to maintain the restrooms.

6. Approval of the Arterial Life Cycle Program (ALCP)

Eileen O'Connell gave a presentation on the Arterial Life Cycle Program (ALCP). She expressed her thanks to member agency staff who worked very diligently on the program. Ms. O'Connell stated that the ALCP provides a listing of projects, the years of construction, the years of reimbursement, and project advancements, deferrals, or exchanges over the 20-year life cycle of the sales tax. Ms. O'Connell noted that statute requires that the costs do not exceed the budget. She stated that the ALCP represents a program that is balanced for each year. Ms. O'Connell stated that in some cases, projects are being advanced under the arterial street advancement policy, however, the regional funding for these projects remains in the phase as listed in the Regional Transportation Plan. She noted that in the development of the ALCP, there were requests from jurisdictions to receive reimbursements in larger sums in a single year rather than reimbursements spread out over two to five years and that the reimbursements be made at the beginning of a five-year phase. Ms. O'Connell advised that given cash flow constraints, it is not possible to meet these requests at this time. She added that MAG staff and the jurisdictions will continue to refine the ALCP as revenue projections are revised and better cash flow projections are developed. Chair Scruggs thanked Ms. O'Connell for her report and asked the Committee if there were any questions.

Mayor Hawker asked Ms. O'Connell to confirm that that reimbursement for larger sums did not mean reimbursement exceeded what they were entitled to. Ms. O'Connell replied that was correct.

Mayor Manross stated her support for the ALCP and commented that in the future, MAG staff would continue to work with communities to coordinate cash flow. To this, she added that she was sure they would. She commented that she understood that a \$50 million project could not be reimbursed entirely in one year because it would destroy the cash flow.

Mayor Hawker commented that he understood it was not the dollar magnitude but where the project falls in the schedule. Eric Anderson said that there were situations, especially with advance construction, where cities expressed being paid back in the first year of a given phase. He explained that the RTP had projects in five-year blocks, and they have now been put into the individual years. He advised that there

is not sufficient cash flow to pay back everyone in the first year for every project in the first phase. Mr. Anderson stated that the attempt will be made to accelerate repayments as much as possible. Mayor Hawker asked the criteria used to determine the repayment schedule. Mr. Anderson explained that the payment schedule was proportionately spread out across all of the years.

Chair Scruggs asked what criteria were used to determine the order of who waits the longest for reimbursement. Mr. Anderson replied that repayments will be spread equally across the program. He added that if there is extra money, repayments will be accelerated in the same order.

Mayor Hawker stated that the cash flow issue is just for now because some projects have been built and submitted for reimbursement.

Chair Scruggs recognized public comment from Mr. Crowley, who commented that there are no arterial street projects in the area of the County that will be developed. He also said that bicycles and pedestrians are not being considered when roads are being upgraded or built. Mr. Crowley stated that public comments received at committee meetings should also be included in the Input Opportunity Reports.

Mayor Hawker moved to recommend approval of the Arterial Street Life Cycle Program (ALCP) with the understanding that in the future MAG staff will work closely to coordinate cash flow with individual projects. Mr. Adams seconded, and the motion carried unanimously.

7. Annual Report on the Implementation of Proposition 400

Mr. Anderson stated that A.R.S. 28-6354 requires that MAG issue an annual report on the status of projects funded by Proposition 400. He stated that the report includes changes to the RTP and plan priorities, and project financing. He said that this is the first year that the Annual Report covers all freeway, street, and transit projects that are in the RTP. Mr. Anderson noted that the Annual Report monitors all projects that are in the RTP, whether funded by Proposition 400 or not. He indicated that a Public Hearing on the Report will take place in November. Mr. Anderson stated that an ad hoc group from Valley Metro, ADOT, Valley Metro Rail, and MAG, called RTP Partners, has begun meeting to provide coordination on the implementation of Proposition 400.

Mr. Anderson stated that the Annual Report will be updated each fiscal year beginning with FY 2006 through FY 2026, ending June 30, 2026. Mr. Anderson reviewed the report contents. He then displayed a chart of the funding sources for FY 2006 to FY 2026, totaling \$31.7 billion, and uses of the funds.

Mr. Anderson reviewed the Freeway/Highway Program. He said that ADOT put together a life cycle program for the freeway/highway portion and has hired three management/engineering consultants. Mr. Anderson stated that \$279 million for litter pickup and landscape maintenance and \$75 million for noise mitigation are included in Proposition 400 funding. He stated that the TPC Freeway Maintenance/Noise Mitigation Subcommittee was formed to make recommendations on these two programs.

Mr. Anderson stated that ADOT has a number of preliminary engineering projects underway, which include design concept reports and environmental assessments for I-17, Loop 101 to the Carefree Highway; Loop 101, Princess Drive to Loop 202; and SR-51, Loop 101 to Shea Boulevard. Mr.

Anderson added that studies are also underway on Loop 303, the South Mountain Freeway corridor, and I-10.

Mr. Anderson noted that construction work is underway to add HOV and general purpose lanes on the Superstition Freeway between Gilbert and Power roads and widening SR-85 between Gila Bend and I-10. He said that construction is anticipated on the Wickenburg Bypass in Fall 2006 after design work is completed.

Mr. Anderson indicated that the Proposition 300 Regional Freeway Program, which is almost complete, will be replaced by the new Freeway/Highway Life Cycle Program. He said that much of the Red Mountain Freeway is completed, with the last 7.7 miles to be completed by mid-2008. Mr. Anderson noted that segments were completed on the Santan Freeway with additional sections to be completed in 2005 and 2006. He stated that seven grade separation projects on Grand Avenue were completed and completion of the intersection improvement at 59th Avenue is expected in 2006. Mr. Anderson advised that the last section of the Sky Harbor Expressway is under study to determine if it is needed from a regional perspective because of the improved capacity of other roadways in the area. Mr. Anderson displayed a chart that showed the funding sources and uses for the freeway/highway program from FY 2006 to FY 2026, which shows the Freeway/Highway Program is in balance.

Mr. Anderson then addressed the Arterial Streets Program in the Annual Report. He expressed his appreciation to member agency staff in the development of the program. Mr. Anderson stated that the Arterial Program Policies and Procedures were approved in June 2005. He noted that he anticipated that a few minor technical corrections will need to be made. Mr. Anderson stated that a number of project assessments have been prepared by member agencies to identify project design concepts and costs. He indicated that they will be used in the development of agreements for funding of individual projects and in monitoring the Arterial Life Cycle Program. Mr. Anderson noted that federal funding legislation was reauthorized on August 10, 2005. He said that the apportionments are expected in the near future. Mr. Anderson stated that work continues on drafting the model project agreement. He displayed a chart of funding sources and uses for the Arterial Street Program for FY 2006 to FY 2026, totaling \$3 billion that shows the Arterial Streets Program.

Mr. Anderson reviewed the Transit Program in the Annual Report. He said that the Valley Metro Board adopted the program's guiding principles and recently approved the preliminary transit life cycle program. Mr. Anderson stated that RPTA staff are working on bus service improvements to be initiated over the next five years. He noted that Valley Metro Rail will conduct the LRT design standards and system studies pertinent to design criteria, standards and specifications, and future corridor issues. Mr. Anderson displayed a chart of funding sources and uses of the Transit Program for FY 2006 to FY 2026 and shows the Transit Program is in balance.

Mr. Anderson addressed the key findings of the Annual Report. He said that the report found that a strong coordination effort is being pursued by the agencies implementing Proposition 400, unlike the effort in 1985. He advised that the report found that the life cycle programming process has been initiated for all transportation modes, in keeping with state statute. Mr. Anderson stated that the life cycle programs are consistent with the RTP and are in balance with projected revenues. Construction on the Proposition 300 Freeway Program will be completed by mid-2008 and costs are in balance with available revenues.

Mr. Anderson then reviewed future issues. Potential cost of future right-of-way will require careful monitoring and may warrant periodic program adjustments. Mr. Anderson indicated that right-of-way was a major cost risk under Proposition 300 and the desire is to try to acquire right-of-way as soon as possible. He stated that a very serious concern is related to material prices that are facing global competition and limits on supply. Mr. Anderson advised that this could affect future construction costs and the cost/revenue balance. Mr. Anderson indicated that the Federal New Starts Program for light rail may have a major effect on the schedule for implementing LRT route extensions. He said that this will continue to be monitored. Mr. Anderson advised that minimizing “scope creep,” which is expanding projects, will be a continuing challenge. Chair Scruggs thanked Mr. Anderson for his report and asked the Committee if there were questions.

Mr. Beard expressed that it was convenient to have all of the life cycle reports in one document. He requested that the light rail section be edited to clarify which are Proposition 400 projects and which are not. He noted that one sentence says that a minor amount of money is allocated to support infrastructure on the 20-mile starter line, followed on the next page that says the amount is \$164 million.

Mr. Kane asked what revenue and cost rates were used to model the life cycle. Mr. Anderson replied that a three percent inflation factor on revenue was used. He added that the assumptions for all factors that underlie the revenue projections are under review right now by an expert panel. Mr. Anderson stated that consultants are analyzing the input from the panel and would be coming back in mid-November. Mr. Anderson noted that the assumptions would be updated as a part of the new revenue forecast and used in the next life cycle. Mr. Anderson replied that a three percent factor for costs was assumed. He added that this factor will also be looked at relative to the commodity market, especially in the freeway/highway program. He indicated that the assumptions probably will be revised in the next round of the life cycle. Mr. Anderson commented that in the past three to four months, a lot has taken place in regard to cost increases.

Mayor Hawker stated that the pie charts highlight the magnitude of debt service and asked how debt service gets to that magnitude. Mr. Anderson replied that was not just interest cost, but also bond proceeds on the source side. He explained that if \$100 million in bonds are issued, there is \$100 million on the expense side for payback and interest costs. Mr. Anderson noted that Proposition 400 includes \$500 million in interest expenses. He said that as the arterial program is refined, he thought it would come down to the proportional share for the arterial program. Mayor Hawker commented that it was cleaner for him to see interest cost only, not the bonded amount.

8. Presentation and Discussion on the Cost Estimation Process for Freeway Projects

Dennis Smith stated that in Proposition 300, \$300 million of expenditures per year was a record, and the current Five Year TIP is \$2.8 billion. He commented that ADOT has a tremendous challenge to deliver the Plan. Mr. Smith said that the TPC needs to hear the information on the cost estimation process that was presented to the State Transportation Board.

Dan Lance, Deputy State Engineer, gave a presentation on the planning costs used in estimating the Regional Transportation Plan. Mr. Lance explained that a project’s cost is adjusted eight times during the process. He then reviewed the general numbers that were used in the RTP. A six-lane freeway with traffic interchange at one mile spacing was \$40 million per mile; An HOV lane was \$5 million per mile;

A general purpose lane was \$8 million per mile; a new system traffic interchange was \$120 million; a new half system traffic interchange was \$60 million.

Mayor Hawker asked Mr. Lance to clarify a half system traffic interchange. Mr. Lance replied that it would be similar to a trumpet interchange, T-ing into a freeway.

Mr. Beard asked what was included in the ADOT cost estimates. Mr. Lance explained that the estimates included right-of-way, design, and construction costs.

Mr. Lance then continued with the general numbers. He stated that the cost of a new service traffic interchange plus cross road was estimated at \$18 to \$20 million; an HOV ramp connection (planned in original design) was \$20 million; the HOV ramp connection not planned in the original design at SR 101/I-10 was \$60 million and the HOV ramp connection not planned in the original design at SR 101/I-17 was \$72 million. A new traffic interchange with existing crossroads was \$9 to \$17 million; and the freeway management system was \$1 million per mile. Mr. Anderson noted that some of the system interchanges were designed to allow an HOV connection and that is why it costs so much less. He added that others will require a major retrofit.

Mr. Lance stated that the I-10, SR-51 to Santan Freeway segment was programmed for \$500 million, with a possible cost estimate of \$800 million. He stated that although the improvements to I-17, McDowell Road to the Arizona Canal, have not yet been defined, they were programmed for \$1 billion in order to accomplish significant improvements.

Mr. Lance reviewed the eight steps in the budget estimate process. In the Scoping estimate, a markup process is used with 20 percent for design contingency and five percent for construction contingency. At Stage II, or the 30 percent estimate, the scope is refined. Mr. Lance noted that the general markup decreases over time. He stated that everyone needs to be locked in at the 30 percent level if the schedule and budget are to remain on track. Mr. Lance stated that Stage III is the 60 percent estimate. Stage IV is the 95 percent estimate and Stage V is the 100 percent estimate, both with zero design contingencies. Mr. Lance stated that the contingencies at this point are zero percent because they are working with the final estimate, which is the one they will go to bid with. He stated that there are two adjustments after the bid opening. Mr. Lance stated that the RTP estimates will change over time.

Mr. Smith asked for clarification that ADOT receives bids at Stage V. Mr. Lance replied that was correct. He added that, typically, ADOT does not see major changes at that stage because it is at the 100 percent estimate. Mr. Lance advised that historically they have not seen major swings until recently. Mr. Smith commented that at a bid opening, the State Board will see Stage V plus a plan estimate. Mr. Lance replied that it will have the program amount. Hopefully, the engineer's estimate, the 100 percent estimate and program amount will be very close. He added that historically they have been close.

Mr. Beard asked if there was any program reserve. Mr. Lance replied that a five percent construction contingency is what they go to bid with to cover change conditions. He noted that these are not inflated dollars. Mr. Lance stated that there are reserves based on inflationary costs held in reserve. Mr. Anderson added that \$4 billion is reserved for future cost changes.

Mayor Hawker asked the historical accuracy rate of the five percent contingency in the final amounts. Mr. Lance replied that ADOT has been benchmarking Departments of Transportation across the country

and has found around 5.5 percent and 6.2 percent is the average overrun. He added that it is common to find 10 percent is used throughout the industry. Mayor Hawker asked Mr. Lance if he felt that five percent is sufficient over 20 years. Mr. Lance that he did.

Chair Scruggs asked the videoconference and teleconference participants if they had any questions. Mr. Gant replied that he had none, as he was very familiar with the information being presented. He informed Chair Scruggs that he would need to leave the TPC meeting to attend another meeting.

Mr. Lance then moved on to the issue of increased construction costs and their economic impacts to the Regional Freeway System. Mr. Lance stated that historically, construction costs have been stable in the Valley. He indicated that this changed in 2004. Mr. Lance stated that there is great competition with international concerns for commodities, lumber, and steel. He said that the Labor Department reported on October 14th that inflation jumped 1.2 percent in September 2005 and added that 90 percent of that increase came from a record 12 percent surge in energy prices reflecting tight supplies after widespread shutdowns of refineries and oil and natural gas production along the Gulf Coast.

Mr. Lance indicated that those shutdowns contributed to a 1.3 percent drop in industrial production in September, the biggest falloff in 23 years. He stated that the 12 percent increase in energy costs was led by a 17.9 percent jump in gasoline prices and a 12.7 percent increase in diesel. Mr. Lance advised that this increase is reflected in the construction industry where intrastate transportation costs of contractor materials delivery increased by 30 percent in Maricopa County. He added that these factors affect labor costs.

Mr. Lance stated that factors affecting material cost increases include supply and demand cycles, transportation costs, availability, international competition from China and the Pacific Rim countries, tariffs, railroad services, and energy costs. Mr. Lance noted that rail and trucking are at capacity coming into the State. He indicated that Arizona produces about 65 percent of its cement and the rest is imported, mostly from Mexico. He noted that the Mexican cement is affected by a tariff of 75 percent.

Mr. Lance stated that the costs for building materials, such as cement, aggregate, steel, lumber, petroleum projects, and PVC conduit have increased. He explained that on average, there is a loss of one work day per week due to the shortage of cement in the Valley. Mr. Lance indicated that many suppliers are now working by purchase order only on a daily basis.

Mr. Lance stated that cement prices increased from \$100 a ton in August 2005 to \$117 a ton in October 2005. Steel prices increased from 55 cents per pound in 2003, to 91 cents per pound in 2004, to \$1.03 per pound in 2005. Mr. Lance stated that aggregate is a key material used in the manufacture of concrete. He said that the cost of aggregate has increased more than 30 percent from mid-2004 to October 2005 due to increases in processing costs, increased hauling distances, reduced availability of sources, and difficulty in obtaining governmental permits due to environmental and public issues.

Mr. Lance stated that from October 2004 to October 2005, the price of diesel fuel increased from \$1.44 to \$2.45 per gallon, a 70 percent increase. He commented that the cost of asphalt paving is virtually changing every week. Mr. Lance advised the national average price for asphalt paving oil jumped 5.2 percent from \$178.13 per ton in the fourth quarter of 2004 to the current price of \$207.34 per ton. He commented that there are additional demands to refine this oil for fuel.

Mr. Lance stated that there is a scarcity of labor which has been spurred by the current construction boom in Maricopa County followed by demand as a result of hurricanes Rita and Katrina. He indicated that these factors contributed to higher construction costs in Arizona.

Mr. Lance provided examples of recent project cost increases. He said that the estimated construction cost for the six-mile widening project on US-60 from Gilbert Road to Power Road was \$59.7 million. Mr. Lance stated that two bids were received with the lowest at \$73.7 million, 23 percent higher than the State's estimate. He remarked that although the project is still within the \$90 million programmed, higher construction costs are cutting into existing and projected revenues.

Mr. Lance stated that the State's estimate for the Red Mountain Freeway from University to Southern Avenue was estimated at \$52.4 million. He stated that one bid was received for \$68.4 million, which was 38 percent higher than the estimate. Mr. Lance added that the bid amount was within the program estimate.

Mr. Lance said that the State's estimate for the traffic interchange on I-17 at Cactus Road was \$3.6 million. He noted that one bid was received at \$5.9 million, approximately 64 percent higher than the estimate. Mr. Lance advised that ADOT is still evaluating whether the bid will be awarded. He commented that bids ADOT received on current highway projects in Maricopa County were 20 to 45 percent higher than anticipated.

Mr. Lance stated that it is unknown whether these impacts are short- or long-term. Mr. Lance stated that revenues are healthy, but nothing compared to current increases. He advised that ADOT is closely monitoring construction market pricing trends to determine if the cost curve has peaked, established a new plateau or will continue to rise. Chair Scruggs thanked Mr. Lance for his report and asked the Committee if there were any questions.

Supervisor Wilson asked about quality controls for cement imported from Mexico. Mr. Lance replied that imported cement must meet ADOT specifications. He explained that ADOT samples the product and conducts a certification process. Mr. Lance indicated that the State has been importing Mexican cement for a decade or more. Supervisor Wilson asked where in Mexico the cement was produced. It was noted that Hermosillo was the production location.

Mayor Cavanaugh asked Mr. Lance to define state estimate and program estimate and if the estimates in the RTP correlate to either. Mr. Lance replied that the program amount was used in the RTP. He explained that the program amount is different from the engineer's estimate because it includes a 14 percent markup—a five percent contingency and a nine percent construction engineering administrative fee. He added that this means that the program amount is 14 percent higher than the state's estimate. Mayor Cavanaugh asked if state and program estimates included design, materials costs, and engineering costs. Mr. Lance replied that the program amount is broken down into specific elements, such as right-of-way, utility relocation, and construction. The RTP includes all those elements. Mr. Lance stated that as the design process progresses, the program amounts are constantly adjusted.

Mr. Anderson stated that the budgets in the RTP have not yet been updated, but preliminary cost numbers for the HOV lanes on SR-51 and Loop 101 are available and it looks like the allocations are within the cost numbers. Mr. Anderson stated that when the RTP was being developed, adequate amounts plus a little bit more were used. He stated that the expert panel consultants are working on

developing new cost profiles for all projects. Mr. Anderson advised that contingencies are built into the program and there is also bonding capacity that could be used to keep the program on track. Mr. Anderson advised that a major concern is the number of bidders on projects. He said that there is much uncertainty on the cost and availability of materials and labor and some contractors might decide projects are too risky to bid on. Mr. Anderson stated that one favorable factor is there are no major Proposition 400 projects going to bid for another 12 to 18 months, so there is time to understand what is happening on the cost side and take action to protect the program. Mr. Anderson stated that one issue being tracked is railroad capacity because it is impacting building materials. He remarked that railroads are at capacity and are tending to carry higher value products at the expense of high-weight, low-value commodities. As a result, we are seeing rationing of scarce railroad capacity as they try to maximize their profits. Mr. Anderson stated that Mexican cement has a tariff, but railroad capacity is still needed to deliver it to the region.

Mr. Lance stated that contractors are bidding with a lot of risk right now. He said that contractors have not been able to obtain quotes from suppliers for the duration of a project. Mr. Lance stated that ADOT and Associated General Contractors (AGC) discussed the escalation/de-escalation clause for some commodities. He indicated there are such clauses for petroleum-based products, such as diesel and asphalt fuels. Mr. Lance indicated that ADOT is trying to get to where it will pay on an as-needed basis.

Mr. Billings asked Mr. Lance his position on bigger jobs versus smaller jobs. Mr. Lance replied that time would be a factor. He said that ADOT has been trying to tighten the construction timeline with incentives for early completion. With commodity supply allocation, ADOT will need to look at construction time and may not be able to build as aggressively as in the past. Mr. Lance stated that it seems “bigger is better” is fading with the economy. He added that ADOT is seeing fewer bids, and one project recently received no bids. Mr. Lance commented that the biggest project coming up is the Red Mountain, Power to University, in the \$140-\$150 million range. He commented that when a project is that large, there can be regional, state, or national competition, and may limit local contractors. Mr. Lance stated that ADOT tries to not put out too many projects that exceed the \$100 million range, but sometimes there is no good way to break down a project like this Red Mountain project. He stated that ADOT will continue to try to package projects in smaller amounts.

Mr. Moore commented on the cement shortage. He said that contractors have indicated that they could provide one-third or one-half of the supply reasonably, but it was just too difficult for one company to provide material for a mega-project.

Mr. Billings commented that his company is not even getting quotes on cement, pipe, etc., and are bidding without quotes. He remarked that ADOT is not getting bids because of the risk situation and he was unsure it would improve in 12-18 months. Mr. Billings cautioned that we need to prepare for the situation to worsen and need to look at how we will handle it. He added that it is getting to the point where bigger is not better and we need to prepare differently on the size of jobs. Mr. Lance stated that remainder of Proposition 300 projects in FY 2006 are fairly small—\$20 million or less—with no major projects coming to bid for 12 to 18 months.

Mr. Kane stated his agreement with Mr. Billings’ statement. He said that no one can afford commodity pricing insurance. Mr. Kane stated that he agreed the situation will not improve soon. It is fairly deep-seated as a systemic problem and blaming an event such as Katrina is too simplistic.

Mr. Smith stated that there was a good economy in 1985 and the program was going well. Then costs escalated and there was a lot of finger pointing. He stated that the life cycle was the key to getting the program back into fiscal balance. Mr. Smith stated that the Plan is the responsibility of the TPC and Regional Council. He remarked that all people will remember is what was promised. Mr. Smith commented that it is important to have these reports brought back to the TPC and Regional Council so that adjustments could be made to the life cycle before the situation escalates. He noted that Queen Creek Councilmember Gary Holloway came to the Regional Council meeting and said that projects are bid too large. He stated that these issues need to be discussed on a regular basis.

Chair Scruggs stated that she was hearing two issues. 1) Addressing the supply issue in a different manner. 2) Periodically adjusting the life cycle program to fulfill promises made. Chair Scruggs stated that the more immediate need is to work with assuring contractors they will not go broke if they bid on projects. She asked if MAG could sit in on these meetings? Mr. Lance replied that all are welcome to attend the meetings, including industry partners. Chair Scruggs requested that updates be given when warranted, and where support from the TPC could be helpful. Mr. Lance stated that ADOT initiated a risk assessment process to get out in front and predict the curve. In the short term, they are reviewing specifications of quality control, benchmarking other agencies to see if adjustments can be made without sacrificing quality control. Mr. Lance stated that they are also discussing with AGC commodity adjustment specifications to minimize risks for both sides.

Mr. Anderson noted that the memorandum from AGC at each place says that contractors are looking for relief on the commodity cost increases. He said that the situation needs to continue to be monitored and strategies developed that reduce the risks contractors face. This will help ensure a competitive bid environment. Mr. Anderson commented that we cannot solve a commodity problem, but we can reduce risk with a healthy bid process. Mr. Anderson stated that MAG staff thinks it is a three- to five-year situation and prices will stay up for a while. These are not short-term, they are fundamental supply issues.

Chair Scruggs stated that the following would be addressed at the next meeting: 1) developing strategies 2) coordination with ADOT.

Mr. Smith commented that sales tax revenue set a record in July and August 2005 and were the highest months in the history of the program. Chair Scruggs commented that revenue is tied in so much with transportation. If transportation corridors are not there, then revenue-generating businesses will not be built. She remarked that she was glad revenue is higher, but we cannot continue to count on that.

Mr. Smith stated that a statewide meeting of planning agencies and ADOT is being planned. He said that issues need to be tackled, such as the Union Pacific not being double-tracked. Mr. Smith stated that capacity is needed because not everything can be shipped on I-10 on a truck. Chair Scruggs thanked Mr. Lance for attending the meeting and providing his report.

9. Presentation and Discussion of the Status of Freeway Projects by Corridor

Bill Hayden, ADOT, provided a status update and an overview of major freeway projects in Phase I of the Regional Transportation Plan. He displayed maps that showed projects of existing corridor widening and improvements, HOV lanes, and general purpose lanes, new traffic interchanges and HOV ramp connections, rubberized asphalt, and study corridors.

Mr. Hayden stated that in the next five years, ADOT has planned 85 miles of existing corridor widening and improvements, 37 miles of new HOV lanes, 19 miles of HOV and general purpose lanes, five traffic interchanges, one major ramp connection, 23 miles of interim and multiphase construction on Loop 303, 27 miles of right-of-way protection, 75 miles of new corridor studies, and 34 miles of additional rubberized asphalt.

Mr. Hayden then reviewed major projects on I-10. The Bullard Avenue traffic interchange is under final design, to be advertised in late FY 2006. The widening study from I-17 to Loop 101 is delayed pending Light Rail/Bus Rapid Transit studies for potential use of the I-10 median. Study recommendations are anticipated by summer 2006. He noted that construction funding is programmed for FY 2009.

Mr. Hayden stated that the design concept report/environmental impact statement for the Collector Distributor Roadway Study, SR-51 to the Santan Freeway is underway but progressing slowly. He indicated that the studies are anticipated for completion in FY 2008, at the earliest. He stated that the Ray Road traffic interchange widening is under final design and the project will be advertised in late FY 2006. For Loop 202 to Riggs Road, the Gila River Indian Community recently transmitted a resolution supporting I-10 widening but with many conditions. He said that the design concept report/environmental impact statement studies can now proceed, with completion anticipated by FY 2008. Mr. Hayden advised that construction is programmed for FY 2009, but could be delayed.

Mr. Hayden stated that coordination meetings are underway involving West Valley cities, MAG, MCDOT, and ADOT on the I-10 Widening, Citrus/Loop 303 to Dysart Road. He added that the study effort has been initiated and financing discussions and evaluations are also occurring. Mr. Hayden stated that the I-10 Reliever (SR-801) alignment study is underway. He noted that public scoping meetings were held in September. Mr. Hayden commented that right-of-way protection may be possible beginning in FY 2008.

Mr. Hayden then moved on to I-17 projects. He said that the final design of the Jomax and Dixileta traffic interchanges has begun. The bid will be advertised in FY 2006 with construction to begin in late calendar year 2006. Mr. Hayden stated that re-scoping the Carefree Highway traffic interchange is underway and final design is anticipated to begin in early 2006. He indicated that advertisement is anticipated in FY 2007 and he advised that an additional \$12-\$13 million will be needed for a new traffic interchange. Mr. Hayden stated that final design is underway for the Loop 101 to Carefree Highway traffic interchange. Advertisement is targeted for late FY 2007 with construction to begin in late calendar year 2007.

Mr. Hayden then reviewed the major projects on SR-51. He said that the HOV lane scoping for Shea Boulevard/Loop 101 is almost complete. Final design is anticipated to start in FY 2006 with advertisement in FY2007.

Mr. Hayden stated that the scoping for Grand Avenue from 99th Avenue to 83rd Avenue is nearing completion with final design to begin in FY 2006. He indicated that the project will be advertised in FY 2007. Mr. Hayden stated that scoping is underway for the widening of Grand Avenue to three lanes from Loop 303 to Loop 101. He noted that advertisement is planned for FY 2009.

Mr. Hayden then moved on to major projects on US-60, Superstition Freeway. He said that the scoping is complete for improvements from I-10 to Price. Advertisement is anticipated in FY 2010. Mr. Hayden

advised that Regional Council conditions regarding the agreement with Tempe need to be met before proceeding to final design.

Mr. Hayden then updated members on Loop 101 projects. He stated that the north half of the Bethany Home Road traffic interchange on the Agua Fria is under final design. It will be advertised in late FY 2006 with construction anticipated to begin in late calendar year 2006. Mr. Hayden stated that the 64th Street traffic interchange on the Pima Freeway is under final design. It will be advertised in late FY 2006 with construction to begin in late calendar year 2006. Mr. Hayden stated that scoping for the HOV lane project on the Pima Freeway from Princess Drive to Loop 202 is nearing completion. Final design is anticipated to start in FY 2006 with advertisement targeted for FY 2007. Mr. Hayden stated that the scoping for the HOV lane project on the Price Freeway from Loop 202 to Baseline Road is nearing completion. He said that design is anticipated to start in FY 2006 and advertisement is targeted for FY 2008. In addition, the scoping for the HOV lane project from Baseline Road to Loop 202 is nearing completion. Mr. Hayden stated that the design portion is scheduled to begin in FY 2006 and advertisement is targeted for FY 2010.

Mr. Hayden updated members on the Loop 202, South Mountain Freeway, by saying that the Environmental Impact Statement is in its fourth year, with an expected completion in 2007 and FHWA Record of Decision to follow. He noted that construction on the west alignment of the freeway is targeted for FY 2008. Mr. Hayden stated that all-day public information meetings will be held in November. He noted that following public input at meetings and the Citizen's Advisory Team, ADOT and FHWA are expected to make a decision on preferred western alignment in February 2006.

Mr. Hayden stated that the scoping for HOV lanes on Loop 101 to Gilbert Road, on Loop 202, Red Mountain Freeway is to be initiated in 2006. Construction is programmed for FY 2009.

Mr. Hayden updated members on the Phase I Happy Valley Road to I-17 project on Loop 303 by reporting that engineering and environmental studies are nearing completion. He added that final design has started in anticipation of advertisement in FY 2008. Mr. Hayden stated that the design concept report and environmental assessment for the I-10 to US-60 project on Loop 303 being prepared by MCDOT are nearing completion. He noted that the 30 percent plans will begin in FY 2006 to proceed with right-of-way preservation in Phase I. Construction is programmed for Phase II. Mr. Hayden commented that the West Valley communities have expressed interest in acceleration of this project to match existing development and growth in the area. He added that to accomplish this, financial partnering is being discussed with West Valley communities, MAG, MCDOT and ADOT.

Mr. Hayden then moved on to report on the Williams Gateway Freeway connector from the Santan to the Maricopa County line. He said that ADOT's Transportation Planning Division is conducting studies to provide a long term transportation vision for Pinal County. Mr. Hayden noted that this is an extremely important decision for the East Valley. Chair Scruggs thanked Mr. Hayden for his report. She asked if members not present could access the information from Mr. Hayden's presentation, perhaps on the MAG Web site. MAG staff agreed to post the presentations on the MAG Web site and provide the link to committee members.

Mr. Smith reviewed three issues: 1) I-10 acceleration because it is an extreme safety issue. 2) South Mountain Freeway. He noted that the alignment is quite controversial and advised that if the alignment

is not on the corridor in the MAG Plan, it will have to come back for a Plan Amendment. 3) Williams Gateway Freeway. Mr. Smith stated that there is concern on the connection to US-60.

Chair Scruggs commented that there is a tremendous amount of work in progress. She expressed that MAG will ensure from its end that member agencies will understand the issues being brought forward so they will not want to relinquish their part. Mr. Hayden stated that the private sector, local government and citizens are looking forward to delivery of the Plan.

There being no further business, the meeting adjourned at 6:30 p.m.

Chair

Secretary